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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5915
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1386
RUEHBY/AMEMBASSY CANBERRA 0245
RUEHKA/AMEMBASSY DHAKA 4519
RUEHLO/AMEMBASSY LONDON 1928
RUEHNE/AMEMBASSY NEW DELHI 3814
RUEHUL/AMEMBASSY SEOUL 7340
RUEHTC/AMEMBASSY THE HAGUE 0608
RUEHKO/AMEMBASSY TOKYO 4892
RUEHCI/AMCONSUL CALCUTTA 1095
RUEHCN/AMCONSUL CHENGDU 1110
RUDKIA/AMCONSUL CHIANG MAI 0940
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 3097
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 0738
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000328

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STATE FOR EAP/MLS;
PACOM FOR FPA;
TREASURY FOR OASIA:AJEWELL

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TAGS: [ECON](#) [PGOV](#) [BM](#)

SUBJECT: THE BURMESE REGIME'S NUMBER ONE CRONY: TAY ZA

REF: A. RANGOON 114

[1](#)B. 05 RANGOON 1421

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Classified By: Econoff TLManlowe for Reason 1.4 (b,d)

[1](#)1. (SBU) Summary: To curry favor and win the most lucrative deals, 42-year old Tay Za, Burma's number one crony businessman, entertains regime leaders lavishly and hires their children in his many business ventures. Now active in all Burma's profitable sectors, Tay Za first made his name as an arms dealer, and still maintains ties with Russia's military supply industry. Valuable concessions in the timber, cement and liquor sectors have enlarged his empire, but his intimate ties to the regime entail obligations that strain his ability to maintain control. End Summary.

[1](#)2. (SBU) Born in 1964, Tay Za is the son of Lt. Col. (ret.) Myint Swe and Daw Ohn. He dropped out of his second year at the Defense Services Academy in 1982 and immediately married Thida Zaw from the wealthy Htoo family. They have three children, Pye Phyo Tay Zaw, Htoo Htet Tay Za and Htoo Htwe Tay Za. Contacts say Tay Za believes his youngest daughter, who is handicapped, has special powers that help him get money when he needs it. With financial support from his sister-in-law, Ma Khaing Zaw, he began his civilian business life with a small timber company. Capitalizing on the famous Htoo name, Tay Za established and became Chairman and Managing Director of Htoo Group of Companies in 1990 at the age of 25 with an investment of \$333,333. His wife is Deputy Managing Director. The Htoo Group started with the timber trade and now operates in the trading, logistics, property development, agro-industries, tourism, oil, and retail sectors.

13. (SBU) Tay Za began his relationship with the military in early 1990, when Brig. General Win Hlaing, Director of the Ministry of Defense Directorate of Procurement, helped Tay Za and three other young businessmen establish the Myanmar Billion Group as the country's premier business group. As the Billion Group's activities declined, Tay Za maintained his connections with the Defense Procurement Department. Tay Za leveraged his good relations with the Russian ambassador into sales representative positions for Russian companies, including the Military Industrial Group (MAPO), Aviaexport, and the helicopter company Rostvertol. He formed Myanmar Avia Export and earned hefty commissions from sales to the military of arms, ammunition, supplies, MI-17 helicopters, and MiG-29s.

14. (SBU) Timber also has continued to provide a reliable revenue stream, and some estimate that in 2005, Tay Za controlled 80% of the country's logging business. He is one of the few with permission to harvest logs in "brown," or militarily contested, areas. In 2006, contacts told us that the government gave Htoo the logging concession in Kachin State. Kachin Independence Organization members complained, saying they lost a significant source of revenue. Travelers to the region tell of a steady stream of Htoo trucks plying the road from Kachin State, loaded with teak logs for export.

15. (SBU) Tay Za continues to increase his connections with the country's rulers by entertaining them in high style. He curries favor not only with military regime leaders, but also with those out of power, and with more junior officials. One official said, "When Tay Za is your host, you know you'll be treated well." While still married, he reportedly had a long-term affair with Than Shwe's eldest daughter to please the Senior General. Pampering those in power has paid off,

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as proven by the many lucrative deals bestowed upon him, including concessions, construction contracts and import/export licenses.

16. (SBU) Benefits from regime leaders include a permit to import palm oil that brought in significant revenues, although Tay Za lost the permit in 2006 after the Trade Policy Council decided to give the business to an economic arm of the military regime. Htoo Trading also earned \$63 million in 2005-06 and \$55.6 million in 2006-07 from exports of beans and pulses. Tay Za has one of the country's few permits to import cement. This is especially valuable as the government builds its new capital in Nay Pyi Taw.

17. (C) Tay Za also has won favor by hiring the children of many of Burma's ruling military, despite their lack of relevant experience. In a key strategic move, Tay Za appointed Aung Thet Mann as Director of agro-industrial firm Ayer Shwe Wah (ASW) in the Htoo Group of Companies. Aung Thet Mann is the son of regime number three, and rumored successor to Than Shwe, General Thura Shwe Mann. ASW received lucrative licenses to export rice and fertilizer, and has developed oil palm plantations in southern Burma. The GOB granted ASW 50,000 acres in the delta region for agricultural development. Tay Za also made a place for Hein Htet Aung, son of the Commander of the Air Force, Lt Gen. Myat Hein, to help with Htoo's construction projects. Upon receiving an exclusive concession to import liquor, he gave the 20-year old Hein Htet Aung \$200,000 to operate four retail liquor outlets.

18. (SBU) Htoo Construction has built a rail terminal, luxury housing and hotels around the country. In Nay Pyi Taw, the GOB chose Tay Za's firms to construct the hotel zone, a golf course, staff apartments, and some buildings in the military compound. At Than Shwe's request, his firm built a controversial 13-story observation tower in the Bagan Architectural Zone, and he has permission to develop the Myeik Archipelago in southern Burma. Tay Za owns hotels in

Bagan and the beach resort towns of Ngwe Saung and Ngapali. At another of Than Shwe's requests, he spent \$2 million to build the only luxury mall in the country, which usually is empty, and entertains benefactors at his serviced apartments in Rangoon. Other businesses in the Tay Za empire include heavy land and marine transport, plantations, telecommunications, oil exploration, rice mills, and vehicle imports.

¶9. (C) Tay Za invested \$700,000 in 2004 with an additional \$300,000 from Myanmar Airways to start the domestic airline, Air Bagan, in 2004. The Air Bagan fleet consists of one Fokker and five ATR aircraft. Htoo recently purchased two Airbuses from Eastern Airline of China. In 2006, the GOB gave Air Bagan permission to fly internationally, but the planned start of international service was delayed, reportedly because the planes were not ready. Air Bagan recently announced its flights to Bangkok will start in May 2007, and flights to Kunming and Singapore will be added later in the year. Singapore Air management experts, in Rangoon to assist Air Bagan's efforts to upgrade its Airbuses, told emboff that Air Bagan has serious maintenance problems, because, "they just don't understand international standards."

¶10. (C) Contacts tell us that Tay Za runs his companies by the "seat of the pants," as he must perform all the management functions in his far-flung empire. An Australian consultant hired to advise Tay Za on the airline and hotel business echoed this sentiment and said it is a wonder that

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Air Bagan's planes still fly and that his hotels operate. She explained that Tay Za is busy trying to manage all his businesses with minimal support, because the children of the elite that he has hired as managers have no experience. He has no business plans, she said, and he reacts to each crisis by putting out fires rather than thinking strategically. "It's amazing anything gets done at all," she said.

¶11. (C) Tay Za lives large, with 20 houses in Rangoon, a fleet of flashy imported vehicles, and frequent trips to Singapore, where he owns a home and does his banking. The Singaporean Ambassador (PROTECT) recently told us that Tay Za has purchased two \$7 million homes on a gambling resort island off the coast of Singapore. We have also heard that he used his connections in Singapore to secretly arrange Than Shwe's emergency medical treatment there last January. Family friends say he provides his wife a \$50,000 allowance each month, but also hint at problems in the marriage. Tay Za has personally designed and built homes for Than Shwe and his family.

¶12. (SBU) Despite his web of connections, sources have reported over the past few years that Tay Za has cash flow problems. The delay in Air Bagan's plans to fly internationally is credited partially to a lack of cash for equipment upgrades. Also, contractors, including Htoo Construction, received payments partially in kind rather than in cash for their massive construction work in Nay Pyi Taw (ref B). The GOB, itself strapped for cash, offered empty government buildings in Rangoon as one form of compensation, difficult to turn into cash in Rangoon's moribund real estate market (ref A). High-ranking military officials, recently ordered to move their families from military compounds in Rangoon, have heard that the GOB will give the property to Tay Za. Turning these decrepit properties into moneymakers will take more time and investment, not generate cash.

¶13. (SBU) Comment: While he may hedge his bets by developing connections to as many powerful people as possible, it is his relationship with Than Shwe that has given Tay Za most opportunities. As long as he enjoys the good favor of the senior general, he will continue to accumulate riches from Burma's limited profitable sectors. His conspicuous status and wealth has caused some resentment, however, and his

protected position may be harder to maintain once his number
one benefactor leaves the picture. End comment.
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